

MEMORANDUM

To: Members of the Committee on Financial Services

From: FSC Majority Staff

Date: April 10, 2015

Subject: April 15, 2015, Joint Hearing Entitled “Oversight of Efforts to Reform the Export-Import Bank”

The Financial Services Subcommittee on Monetary Policy and Trade and the Oversight & Government Reform Subcommittee on Health Care, Benefits and Administrative Rules will hold a joint hearing entitled “Oversight of Efforts to Reform the Export-Import Bank” at 10:00 a.m. on Wednesday, April 15, 2015, in room 2154 of the Rayburn House Office Building. This will be a one-panel hearing with the following invited witnesses:

- Fred Hochberg, Chairman and President, Export-Import Bank
- Nathan Sheets, Under Secretary for International Affairs, U.S. Department of Treasury
- Mike McCarthy, Acting Inspector General, Export-Import Bank
- Mark Thorum, Assistant Inspector General for Inspections and Evaluations, Export-Import Bank
- Kimberly Gianopoulos, Director, International Affairs and Trade, Government Accountability Office

Overview of the Ex-Im Bank

The Ex-Im Bank was established by executive order in 1934 and became an independent agency in 1945. The Ex-Im Bank groups its financial products into four categories: (1) direct loans; (2) loan guarantees; (3) working capital guarantees; and (4) export credit insurance. It also has a number of special financing programs. Under the Ex-Im Bank’s direct loan program, the Ex-Im Bank offers loans directly to foreign buyers of U.S. goods and services. Under a loan guarantee, the Ex-Im Bank covers the repayment risk on the foreign buyer’s debt obligations incurred in the purchase of U.S. exports. The Ex-Im Bank’s Working Capital Guarantee Program provides repayment guarantees to lenders (primarily commercial banks) on secured, short-term working capital loans made to qualified exporters. Under the export credit insurance, the Ex-Im

Bank issues an insurance policy to a U.S. exporter, which provides credit to the foreign buyer of the exporter's products.

Recent Reauthorizations

In 2012 Congress reauthorized the Ex-Im Bank. This reauthorization increased the Ex-Im Bank's exposure limit from \$100 billion to \$140 billion. It also required the Ex-Im Bank to submit a business plan to Congress as well as respond to a review of the Ex-Im Bank's risk management practices conducted by the Government Accountability Office. Additionally, the reauthorization directed the Treasury Secretary to initiate and pursue multilateral negotiations to reduce, with the ultimate goal of eliminating, all trade-distorting export subsidies, including those for aircraft. The reauthorization further required that the Ex-Im Bank categorize each loan and long-term guarantee, classifying them as necessary either (1) to assume risk the private sector would not undertake, (2) overcome limits in private finance, or (3) meet competition from foreign export credit agencies. President Obama signed this authorization into law on May 30, 2012.

The Ex-Im Bank's current authorization is set to expire on June 30, 2015. This hearing will examine the role of the Ex-Im Bank, the implementation of the 2012 reauthorization, and the implementation of recommendations made by the Government Accountability Office and the Ex-Im Bank's Office of Inspector General.